

**2005  
ANNUAL  
REPORT**



When most folks think of the Lottery, they think of the once in a lifetime chance it offers players to become millionaires by winning big. But players aren't the only winners when it comes to the Michigan Lottery. Our biggest winners are really our state's school children, who are the beneficiaries of the Lottery's profits.

I am proud to report that for the first time in the 33-year history of the Lottery, sales surpassed the \$2 billion mark in fiscal year 2005. With total sales of \$2.07 billion, the Lottery generated \$667.6 million for the state School Aid Fund, allowing us to continue fulfilling our primary mission: to maximize net revenues to supplement state education programs. And for the second year, the Lottery has contributed a record amount for public education in Michigan.

I'm sure we all agree these are enormous sums of money, so large that it is hard for most of us to relate to them. To try to present the numbers in a more tangible fashion, consider the following:

In 2005, the Lottery's contribution of \$667.6 million to the state School Aid Fund could pay for:

12,798 public school teachers with the average salary of \$52,161. Or,

11,126 school buses, with an average price\* of \$60,000 each. Or,

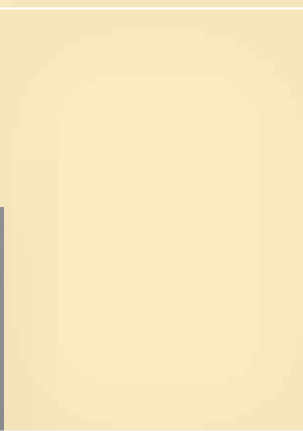
Over 40 billion sticks of chalk at \$.20 per dozen. Or,

483,768 high-level laptop computers, with an average price of \$1,380 each. Or,

# welcome



**Gary C. Peters**  
Commissioner



**Jennifer M. Granholm**  
Governor

Over 20 billion pencils, with an average price of \$.39 per dozen each. Or,

1.1 million classroom microscopes at \$629.44 each. Or,  
171.2 billion sheets of wide-rule, lined paper at \$3.90 per 1,000.

“For the second consecutive year, the Lottery has contributed a record amount for public education in Michigan.”

– Gary C. Peters

Although the money we contribute is not earmarked for a specific program or district, the above figures clearly demonstrate the significance of this amount.

I am continually asked why, if the Lottery contributes so much money to education, do we still need more funding? Significant as our contribution is, the cost of providing an education to all of Michigan's students exceeds a staggering \$12 billion. The Lottery's contribution represents about 5 percent of that amount, and without it, the state's education fund would be sorely lacking. But it clearly cannot take care of the entire bill.

Since 1981, the Lottery has been mandated by law to give 100 percent of its profits to the School Aid Fund. In 2005, our profit represented 32 percent of our revenue. So what happened to the rest of the money?

Our biggest expenditure is prizes, which accounted for 56 percent, or \$1.16 billion, of our revenues. Retailer commissions, the amount we pay retailers to operate our games, were our second largest expenditure at \$152 million or 7.4 percent of revenues. For an enterprise the size of ours, our business expenses are extremely low: \$17.9 million, or 1 percent, for administrative expenses (which includes salaries, benefits and overhead), and \$56.9 million, or 2.8 percent, for gaming expenses (which includes, for example, printing tickets and vendor commissions). The remaining \$667.6 million, or 32.3 percent, is the net profit that goes to School Aid.

I am proud that since its inception in 1972, the Michigan Lottery has provided over \$12 billion to public education in our state. And I am proud that in that same time period, we've awarded \$17.9 billion in prizes to millions of players, and almost \$2 billion in commissions to our thousands of retailer partners. Figures like these make the Michigan Lottery a win-win game for everyone involved!

A stylized, handwritten signature of Gary C. Peters in black ink.

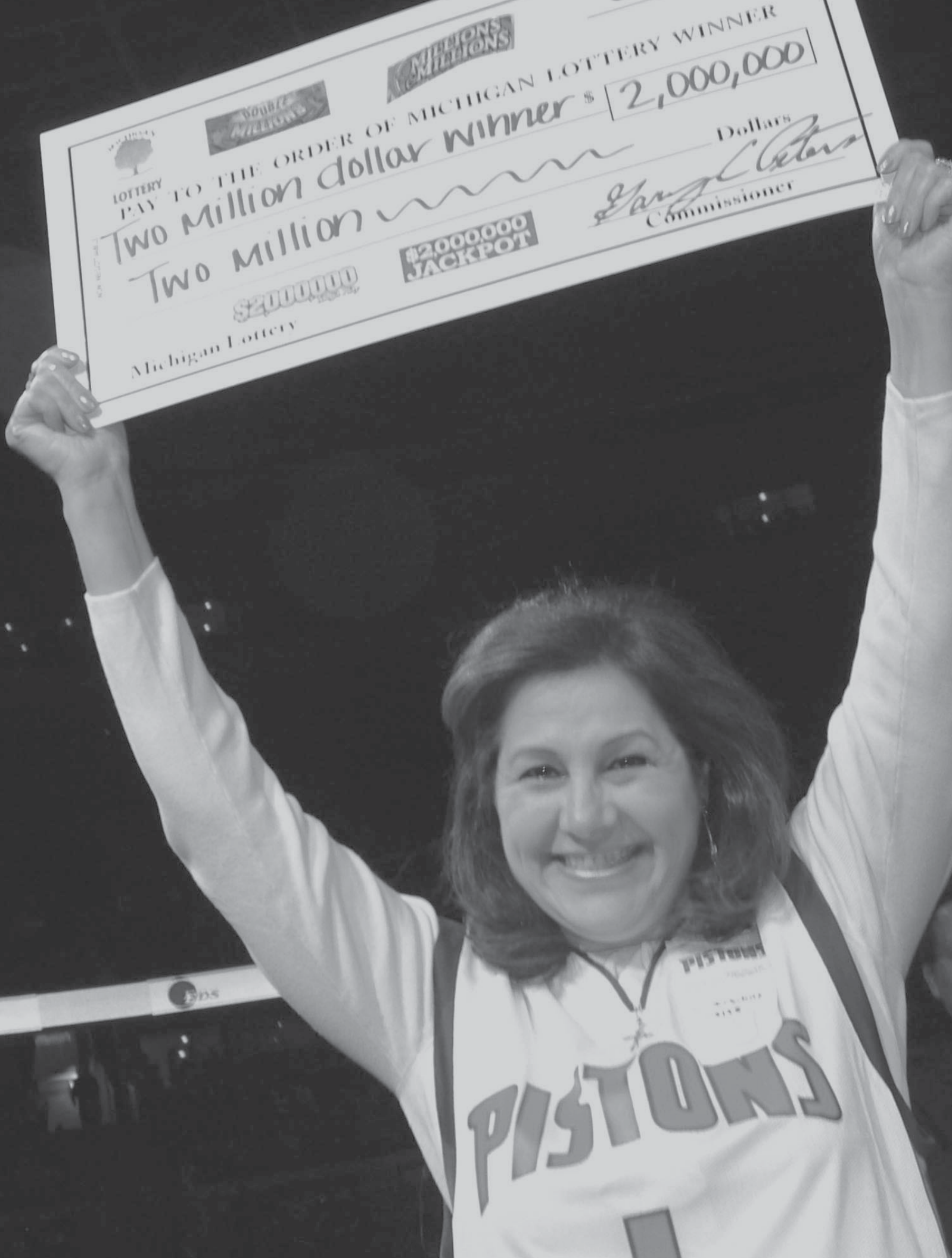




When Michigan's citizens voted by a 2-to-1 margin in 1972 to amend the state's constitution and establish the Michigan Lottery, it was created with three goals in mind:

- 1 •  
to maximize net revenues to supplement state education programs
- 2 •  
to provide fun and entertaining games of chance
- 3 •  
to operate all games and bureau functions with nothing less than total integrity

# mission statement



MILLIONS

DOUBLE MILLIONS

TO THE ORDER OF MICHIGAN LOTTERY WINNER

Two million

\$ 2,000,000

Dollars

Gary Peters  
Commissioner

\$2,000,000  
JACKPOT

\$2,000,000

Michigan Lottery

PISTONS

PISTONS

DETROIT  
MICHIGAN



The Michigan Lottery awarded more money to players in 2005 than in any year in its history, allowing us to call 2005 the Year of the Winner!

Topping the list was the state's largest single jackpot ever, a \$208 million Mega Millions win for Ralph and Mary Stebbins. The Port Huron couple, who spent \$5 a week on easy pick Mega tickets for years, won the prize in April.

On four different occasions, the Lottery awarded \$2 million grand prizes to one of five finalists who had been chosen from among the winners of \$1,000 on any of five, \$20 instant games.

In both November and March, live drawings were conducted during halftime at a Detroit Pistons game, with Sandra Graves of Copemish and Nidhal Dishow of Sterling Heights the grand prize winners.

The third and fourth drawings, conducted in June and September, featured a unique twist.

At the International Freedom Festival's Rockin' the Rooftop Party in Detroit, Yousef Sharif of Swartz Creek drew the \$2 million prize. But in a first-ever situation, Sharif and three of the remaining four finalists formed an alliance in which they agreed that if any of them won, they'd share the money with the others. The four hastily signed a scrap of paper before the drawing and Sharif was true to his word. A short time later, the Freedom 4 Lottery Club was formed and Sharif, Bernard Marr of Kalamazoo, Carolyn Newland of Richland, and Thomas Schultz of Muskegon split the check.

The five finalists at the Arts, Beats and Eats Festival in Pontiac took the same approach, forming their club in the few hours prior to the drawing. Although Mohamed Fawaz of Dearborn drew the actual \$2 million prize, he and Doran Crowder of Cadillac, Larry Payne of Clinton Township, Fouad Saad of Dearborn, and Mildred Williams of Detroit each walked away with a share of the prize.

In total, the Michigan Lottery awarded \$1.16 billion in prizes in FY 2005, ranging from \$1 on instant games like Cash-O-Rama, with a top prize of \$5,000, to the record \$208 million Mega Millions jackpot.



# winners



Mega Millions, Classic Lotto 47, Fantasy 5, Daily games and Keno! A wide variety of games to match a wide variety of player interests.

In June of 2005, California joined the popular Mega Millions game, bringing the total number of states participating to 12. Mega Millions players won over \$300 million in 2005, and Michigan's single largest jackpot ever went to Ralph and Mary Stebbins of Port Huron when they won \$208 million in an April Mega Millions drawing.

Mega drawings are twice weekly, Tuesdays and Fridays, and wagers are \$1.

Classic Lotto 47, an updated version of the popular Lotto 47 which ran from December 1989 to March

1993, was launched in May. Classic Lotto 47 jackpots start at \$1 million and increase by at least \$100,000 each drawing. There are guaranteed prizes of \$5 for matching three; \$100 for matching four; and \$2,500 for matching five numbers. The launch of the game featured a summer sweepstakes in which 100 players won Ducane gas grills, Big Boy gift certificates and Detroit Tigers baseball tickets.

Classic Lotto 47 replaced Winfall. Wagers are \$1 and drawings are Wednesdays and Saturdays.

In its first full year, Fantasy 5 experienced \$49.9 million in sales. In this \$1 game, jackpots start at \$100,000 and increase daily by at least \$5,000 until someone matches all

# online & instant games



five numbers. Prizes are guaranteed for various matches: \$100 for matching four numbers, \$10 for matching three numbers, and \$1 for matching two numbers.

The Lottery's longest-running games, the Daily 3 and Daily 4, continue to be its most consistently popular, representing 34 percent of total sales. In 2005, these two games generated \$401.1 million and \$308.8 million respectively. Daily 3 and Daily 4 offer players a variety of combinations and prizes, as well as chances to play each twice a day, at midday and again in the evening. Prizes for Daily 3 can be as much as \$500; for Daily 4, \$5,000. Wagers are 50 cents (Daily 3 only) or \$1.

A highlight of the year for Daily players was April 26, when the Daily 4 evening draw was 1-1-1-1. From that one drawing, a total prize payout of \$11,060,000 was shared by 2,212 players, each winning \$5,000. This represented 2,230 percent of sales, the second highest payout in Lottery history.

With daily drawings, Keno! generated \$13.5 million in revenue in 2005. The top prize in this \$1 game, which offers six different ways to win, is \$250,000. Players select 10 numbers from a pool of 80. The Lottery then draws 22 numbers and if the player matches 10 of those 22, he or she wins the jackpot.

Instant games continue to remain a Lottery staple and in FY 2005, they represented 32 percent of sales for a total of \$662.5 million. The 71 instant games introduced in FY 2005 ranged in price from \$1 to \$20 and in prizes from \$1 to \$2 million.

Among the most popular instant games introduced in 2005 was "Hold 'Em Poker." Patterned after the extremely popular casino card game, the first of two \$5 Hold 'Em games sold out in just six weeks, the second in four weeks. "Break the Bank," another popular \$5 game, featured games on both sides of the ticket and sold out in four weeks. Other hot-selling instant games in FY 2005 included "Word Bank," "Hot \$100s," "Find the \$50s" and "Super Red Millions." As in past years, base games like "Cashword" and "Wild Time" continued to be top sellers.



# club games

With nearly two years under its belt, Club Keno continues to experience the Lottery's fastest rate of growth. In FY 2005, 368 Class C liquor establishments joined the ranks of Club Keno retailers, bringing the total number of locations where the games are offered to approximately 2,000.

Club Keno netted the state \$332.4 million in sales; resulting in \$82 million as part of the 2005 School Aid contribution. Michigan's Club Keno retailers continue to rank second in the country in per retailer sales!

To play Club Keno, players select up to 10 numbers between 1 and 80 and view the results of drawings, conducted every five minutes, on TV monitors. Club Keno can be played between 6:05 a.m. and 1:45 a.m.; the top prize is \$2 million! Retailers occasionally sponsor Club Keno nights, featuring promotional prizes in addition to Club Keno drawings, throughout the year.

In addition to Club Keno, many retailers also offer Pull Tabs, which have experienced a phenomenal success in their own right. In FY 2005, Michigan's Pull Tab sales, at \$39.1 million, surpassed every other U.S. lottery jurisdiction!



The Lottery expanded its Pull Tab offerings in 2005, launching its first \$2 game. It also tapped into a well-known statewide rivalry with a "Blue vs. Green" Pull Tabs game that proved extremely popular.

Pull Tabs, offered in over 1,100 establishments, up from 719 in FY 2004, are similar to instant tickets but players pull off a perforated tab instead of scratching off the ticket. Ticket prices are 50 cents, \$1 and \$2 and top prizes range from \$100 to \$500.

# player city

Thousands of Michigan Lottery players became charter "citizens" of Player City in 2005 when they signed up for the free, interactive, Internet-based VIP club that provides special rewards and benefits to members.

Launched on June 1, 2005, Player City's population grew to over 75,000 members by the end of November. On average, 600 new residents joined the city each week.

Player City residents receive alerts about jackpots and new games, surveys and special offer coupons, as well as opportunities to accumulate "points" for various on-site activities. Player City also offers contests for

its residents, and in its first four months, awarded 474 prizes of Lottery golf balls and tickets to the Detroit Jazz Festival; the Michigan State Fair; Detroit Tigers and Detroit Lions games; and Cedar Point.

To access Player City, go to [www.michigan.gov/lottery](http://www.michigan.gov/lottery). Click on the Player City icon on the left side of the page and take a stroll through town!





There is more than cash to be won playing instant Lottery games. In 2005, the Lottery offered 22 second chance drawings for merchandise and experiences as part of five different instant games. All told, nearly 4,000 players received non-cash prizes from the Michigan Lottery in 2005.

Wrapping up the giveaways for the \$3 “Young and the Restless” game that began in 2004, one lucky fan won a four day/three night trip for two to Hollywood to tour the studio and meet the cast of the popular daytime drama and \$1,000 spending money. The 750 prize pack winners received branded merchandise including a denim jacket, watch, travel tote bag, autographed sweatshirt, key chain, travel mug and baseball cap.

Four grand prize winners in the “Detroit Pistons” \$3 instant game had a choice of one of the following: a trip for two to the NBA or WNBA All-Star Game; a trip for two to the city of the winner’s choice to attend any NBA playoff game, including the NBA Finals; or a weekend trip for two to the city of the winner’s choice to attend any NBA regular season game, plus \$500 in spending money. The 640 prize pack winners each received a Pistons jersey, a retro team jersey, a hooded sweatshirt, an NBA basketball, and a Pistons duffel bag, wall clock and golf umbrella.

The popularity of NASCAR hit the Michigan Lottery with the launch of the \$3 “Raceway Riches” game. Four lucky winners each received a round trip to any NASCAR race during the 2005 or 2006 season, with accommodations for four days/three nights, reserved seating for two race days, a VIP package with NASCAR licensed merchandise, and \$500 in spending money. Another 1,144 NASCAR fans were also winners with prize packs that included an official jacket with the choice of a driver’s name on it, a leather travel bag, a limited edition

photo plaque, a NASCAR t-shirt and a NASCAR cap.

Lottery players were big winners with “Hold ‘em Poker,” a \$5 game that was popular as soon as it hit the streets. A total of 49 lucky players won a four day/three night stay in a deluxe room at the fabulous Monte Carlo Resort & Casino in Las Vegas, day spa passes, tickets to a performance by master magician Lance Burton, and \$500 in spending cash. Depending on the timing of the trip, winners were guaranteed studio audience seating at the final table event of the World Poker Tour™.



The 1,270 people winning prize packs in the game received a poker game table top, a World Poker Tour tournament chip set, a leather duffel bag, and a World Poker Tour wall clock and sunglasses.

One lucky winner drove away with a 2005 Chrysler 300C in the Lottery’s \$3 “Chrysler Cash” game. Another 220 players were winners of a 300C hat, a Chrysler jacket, a Chrysler travel tumbler and a 300C duffel bag, keychain and 300C die-cast model.

# second chance drawings







Although it is most visible to folks at their local grocery store, favorite bar or neighborhood gas station, the Lottery participates in a number of special events every year, bringing its games to local communities.

In a first-ever event of its kind, the Lottery in April launched “Raceway Riches,” a NASCAR-based instant game, at Great Lakes Crossing Shopping Mall in Auburn Hills. The “Checkered Flag Challenge” evening was packed with race-related activities, including big wheel races on a track set up in the mall, NASCAR vehicles and Michigan International Speedway ticket giveaways. Special guest at the event was NASCAR driver Matt Kenseth, who signed autographs and posed for pictures with Lottery players.

Summer activities included several festivals around the state. In June, the Lottery partnered with Pesick Brothers Produce in a booth that offered online and instant games at the Arab International Festival in Dearborn. In early August, Meijer #48 and the Lottery partnered to sell instant tickets to Lottery players at the Bay City Pig Gig. For nearly two weeks in August, Northville Downs and Hazel Park Raceway joined the Lottery in selling both club and online games at the Michigan State Fair in Detroit. That same month, the Lottery was on the road at the Upper Peninsula State Fair in Escanaba, partnering with Holiday Stations to sell instant tickets. In September, Meijer #53 and the Lottery participated in the Arts, Beats and Eats Festival in Pontiac, selling instant and online tickets.

Lottery players at these events not only had the chance to win traditional cash prizes, but when they spent at least \$10 on Lottery tickets, they were invited to spin the wheel to win Lottery merchandise.



# special events



The Michigan Lottery could not function without retailers; it is that simple. Because tickets can only be purchased from licensed Lottery retailers, our network of 11,000 convenience stores, gas stations, grocers, bowling centers, bars and restaurants are the Lottery's direct link to the players.

In exchange for selling Lottery tickets, retailers receive a commission. A 6 percent commission is earned on all Lottery tickets sold; a 2 percent commission on in-store redemptions up to \$600; a 2 percent commission on redeemed winning tickets sold in their stores, valued from \$601 to \$100,000; and a flat \$2,000 commission for redeemed winning tickets valued over \$100,000 sold in their stores.

Michigan Lottery retailers also participate in an incentive-based commission program that rewards those who meet or exceed their quarterly instant ticket sales goal with an additional 1 percent commission based upon their total instant ticket sales for the quarter. This program has been in place since January 2002.

# retailers



## Charitable Gaming Division

Charitable Gaming is a vital part of Michigan's non-profit community.

In fiscal year 2005, qualified organizations netted over \$76 million. With the challenges of higher unemployment, cuts in government funding at all levels, and national disasters that are funneling away contributions that might otherwise benefit Michigan communities, it is more important than ever that charitable gaming remains healthy in Michigan.

For the second consecutive year, requests for millionaire party licenses increased. In FY 2005, 1,417 licenses were issued, more than double the amount issued the previous year. Texas Hold 'em card games continue to grow in popularity as a means of fundraising.

Veteran and fraternal clubs had the most successful year since the implementation of the Annual Charity Game Ticket

licenses in 2000. In FY 2005, players at clubs spent \$127 million on charity game tickets, which allowed organizations to invest \$19 million in community assistance, veteran activities, scholarship funds, building maintenance, and other charitable purposes.

Contrary to the growth that is taking place with millionaire party and annual charity game ticket licenses, bingos continue to lose attendance. As part of the long-term strategy to rejuvenate bingo, licensed bingo halls were evaluated in areas such as attractiveness, cleanliness and the condition of bingo equipment. The evaluations will be used as a tool in upgrading bingo halls.

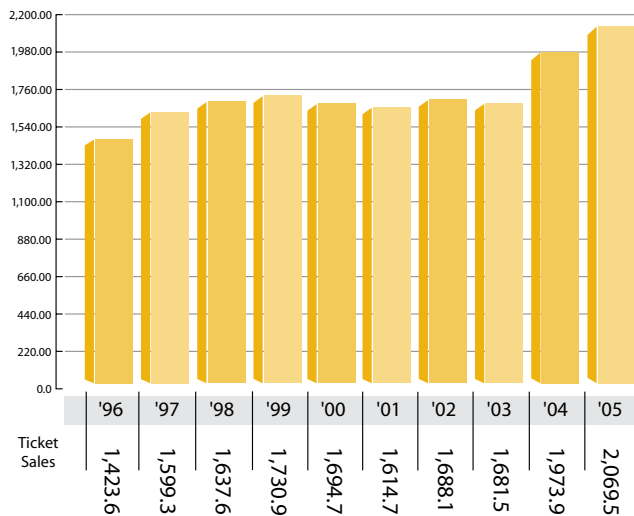
The Michigan Lottery and its Charitable Gaming Division look forward to continuing to work with licensees and legislative leaders to make charitable gaming in Michigan a success.

	FY 2005		FY 2004	
	(In Thousands)		(In Thousands)	
Revenues				
Daily 3	\$	401,072	\$	420,454
Daily 4	\$	308,845	\$	308,163
Daily Double	\$	2,661	\$	4,827
Winfall/Classic Lotto 47	\$	55,643	\$	66,569
Rolldown/Fantasy 5	\$	49,893	\$	32,566
Mega Millions	\$	203,902	\$	206,620
Keno	\$	13,520	\$	14,856
Instant	\$	662,534	\$	690,158
Change Play			\$	88
Club Keno	\$	332,356	\$	204,519
Pull Tabs	\$	39,067	\$	25,080
Total Ticket Sales	\$	2,069,493	\$	1,973,900
Charitable Gaming Receipts	\$	19,639	\$	19,981
Investment Income	\$	5,088	\$	3,202
Unrealized Investment Income (loss)	\$	(24,646)	\$	(28,079)
Other Income	\$	1,000	\$	1,430
Total Revenues	\$	2,070,574	\$	1,970,434
Expenses				
Retailer Commissions	\$	152,631	\$	145,367
Administrative Expenses	\$	17,862	\$	15,940
Advertising	\$	17,597	\$	17,534
Game-Related Expenses	\$	56,914	\$	54,146
Charitable Gaming Expenses	\$	7,910	\$	7,777
Total Operating Expenses	\$	252,914	\$	240,764
Prizes Awarded	\$	1,179,642	\$	1,130,844
Less Unclaimed Prizes	\$	17,634	\$	31,171
Net Prizes Awarded	\$	1,162,008	\$	1,099,673
Net Income	\$	655,652	\$	629,997
Charitable Gaming Net Income				
Transferred to General Fund	\$	11,729	\$	12,203
Transfer to Dept. of Community Health for				
Compulsive Gaming Helpline	\$	990	\$	990
Reserved Unrealized Gain (Loss)				
On Investments	\$	(24,646)	\$	(28,079)
Net Income Transferred to				
School Aid Fund	\$	667,579	\$	644,883

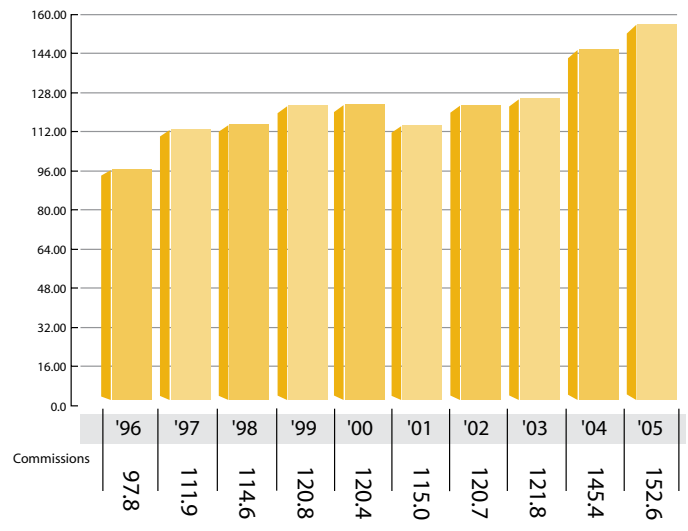
# 2005 Financials

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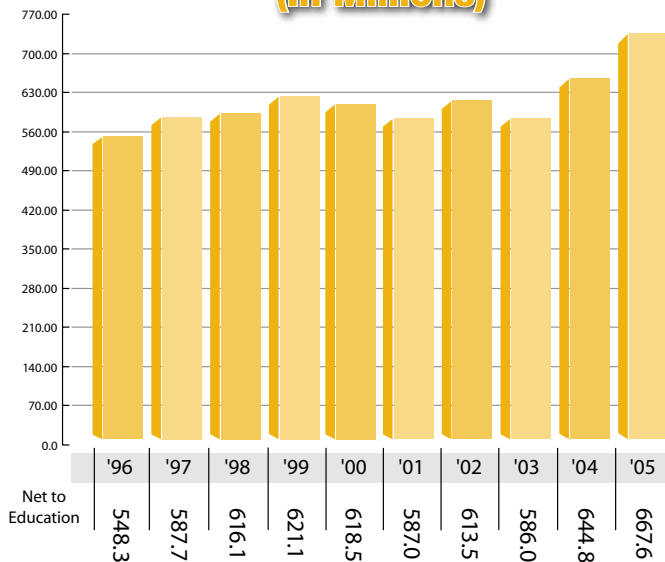
## ticket sales history (In Millions)



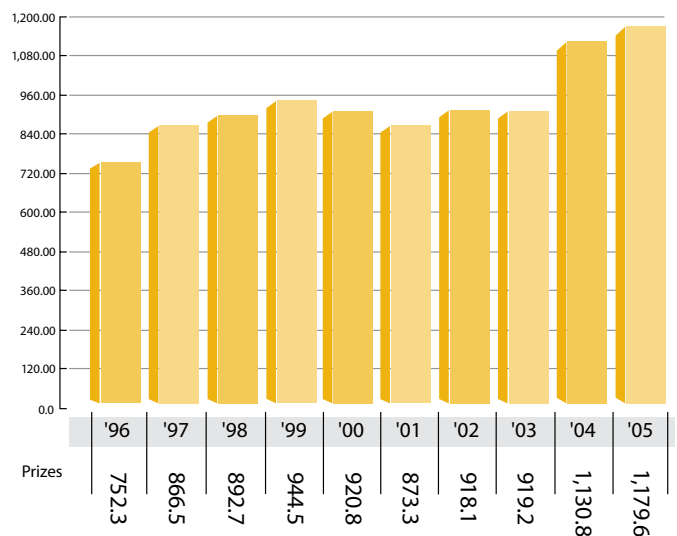
## retailer commissions (In Millions)



## net to education (In Millions)



## prizes won (In Millions)

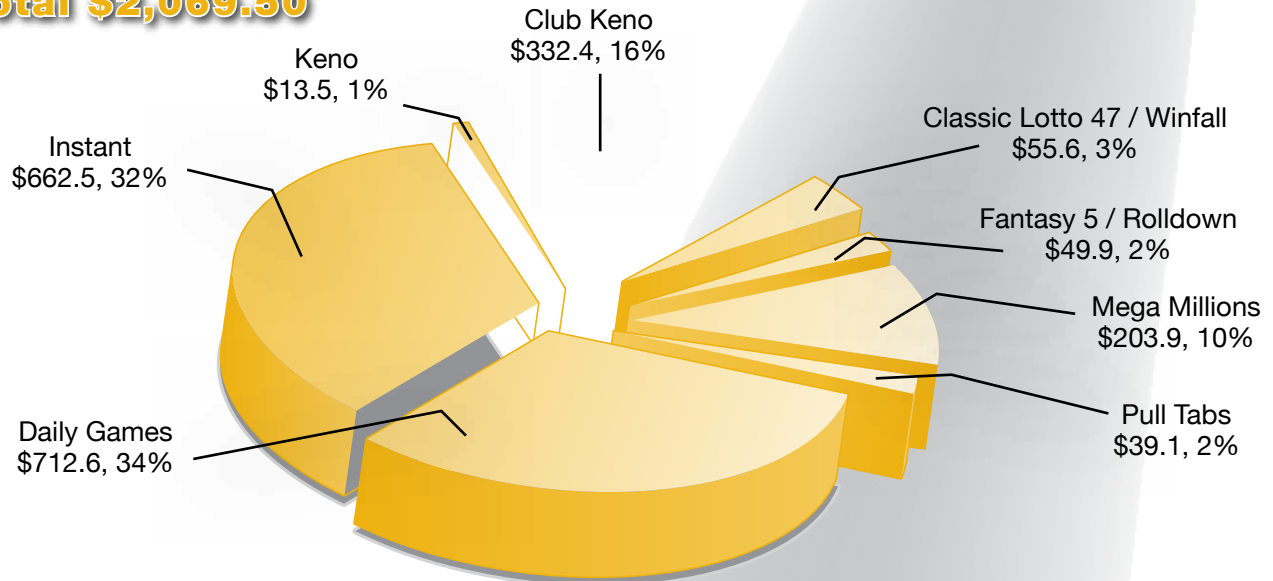




## ticket sales

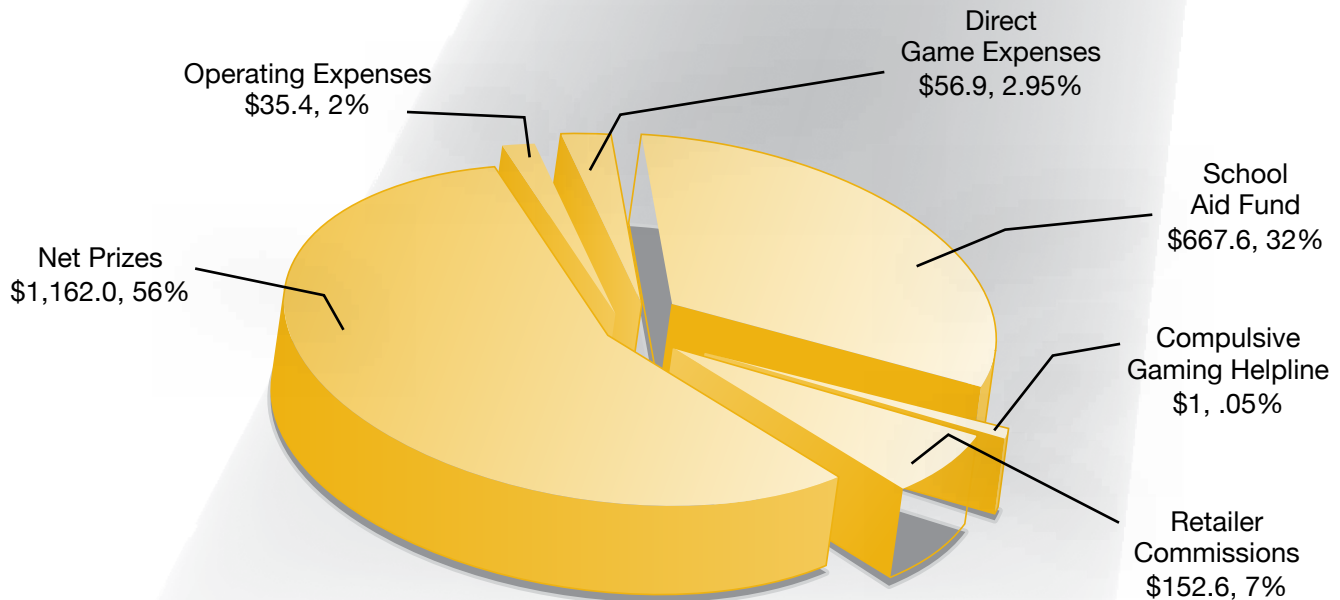
FY 2005 (In Millions)

**Total \$2,069.50**



## where the money goes

FY 2005 (In Millions)



# 2005 Financials

# website

The Internet continues to be a growing resource for Lottery players, not only for the most recent winning numbers, but for a wealth of other information as well.

The site, [michigan.gov/lottery](http://michigan.gov/lottery), contains archived drawing results for every Michigan Lottery game ever offered; a complete explanation, including odds and prizes, of each of the Lottery's online, instant and

Club Games; a file of press releases; a photo gallery of Lottery winners and events; and instructions on how to claim Lottery prizes. Visitors will also find links to Lottery second chance drawings, Player City, Charitable Gaming, and fraud alerts. Additionally, Lottery players can access all other Michigan government sites through the Lottery's home page.

## compulsive gambling helpline

The Lottery and other games of chance are prevalent in Michigan and worldwide. The vast majority of Lottery enthusiasts play responsibly and do so in the spirit the games are intended. However, as with any form of gambling, abuses can and do occur.

The Michigan Lottery believes in offering a fun product at a fair price, all in the name of benefiting a worthy cause. The Lottery is not, and was never intended to be, an investment, retirement plan, or a replacement for hard work

as a means to a better life.

If you would like more information about problem gambling programs, call the Michigan Problem Gambling Helpline at 1-800-270-7117.

In FY 2005, the Michigan Lottery provided \$1 million for compulsive gambling programs, including the toll-free Helpline. Additionally, the Lottery produces public service announcements that feature the Helpline number. These announcements aired over 2,800 times on television stations across Michigan in FY 2005.

## contacts

**Need to** get in touch with the Michigan Lottery? There are several ways to do so:

By e-mail  
[milottery@michigan.gov](mailto:milottery@michigan.gov)

By U.S. mail  
Michigan Lottery, 101 E. Hillsdale  
P.O. Box 30023, Lansing, MI 48909

By fax  
517.335.5644

By phone  
517.335.5600

## leadership

**Gary C. Peters**  
Lottery Commissioner

**Mike Petersen**  
Deputy Commissioner,  
Charitable Gaming

**Margie Reh**  
Deputy Commissioner,  
Administration

**Connie Souza**  
Deputy Commissioner,  
Planning & Operations

**Tom Weber**  
Deputy Commissioner,  
Marketing

